

Minutes

September 8, 2006

N. C. Board of Agriculture

Maurice K. Berry, Jr.	Roger D. Oxendine
Brent Fleming	Elbert R. Pitt, Jr.
William E. Holliday	Douglas I. Torn
C. Osmond Kearney, Jr.	Jeffery B. Turner
Kirk Mathis	Hyman Young, Jr.

Steve Troxler, Chairman

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The September 8, 2006 meeting of the Board of Agriculture was held beginning at 9:00 a.m. at the Hampton Inn, 18 Rockwood Road, Fletcher, North Carolina. Commissioner of Agriculture Steve Troxler called the meeting to order. The following Board members were in attendance: Maurice K. Berry, Jr., Brent Fleming, William E. Holliday, Kirk Mathis, Douglas I. Torn, and Hyman Young, Jr.

The meeting was opened with prayer, led by Agricultural Program Specialist Zane Hedgecock.

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Before proceeding with the agenda items, Commissioner Troxler recognized the manager of the Western North Carolina Farmers Market for comments. Mike Ferguson began by extending a warm welcome to the Asheville area and invited everyone to visit the Farmers Market.

Attendance at the market, which is the state's seventh largest tourist attraction, has increased from last year's 2 million visitors. This year's crops are doing very well, with apples being the largest crop, followed closely by tomatoes. Due to the lack of flat land and large fields in this area, small producers benefit from being able to sell their produce at this market.

General comments followed.

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Upon MOTION by Mr. Mathis, seconded by Mr. Berry, the minutes of the December 14, 2005, February 27, 2006, May 3, 2006, and July 19, 2006 meetings were approved.

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Ron Moore, the assistant director of the Marketing Division, was recognized to report on rental rates for agricultural centers and farmers markets. He, in turn, introduced the manager of the Western North Carolina Agricultural Center, Matt Buchanan, who welcomed everyone to the 13<sup>th</sup> annual Mountain State Fair. The theme for this year's fair is "Go Hog Wild." Entered into the record as Exhibit A is the fair's "Entertainment & Events Schedule."

(At this point, everyone in attendance introduced himself or herself.)

Mr. Moore reminded the Board that in 2004 it mandated that the Department review facility rental rates and charges at least every two years. Upon completion of this review, the farmers market managers have decided that fee and rate increases are not necessary at this time. However, there are some recommended changes, as specified in Mr. Moore's memo (dated August 30, 2006) addressed to the Board. A copy of this memo has been entered into the record as Exhibit B.

Mr. Moore made brief, general remarks regarding the proposed elimination of current holding and yearly delivery permit fees at the Western North Carolina Farmers Market in Asheville. The MOTION was made by Mr. Young to approve the proposed changes, effective January 1, 2007. The motion, being seconded by Mr. Mathis, carried by a unanimous vote.

The discount for educational clinics/seminars for equine at the Western North Carolina Agricultural Center in Fletcher has been in effect since 1983. Mr. Moore stated that a change would bring this facility more in line with other agricultural facilities. The MOTION was made and seconded, by Mr. Young and Mr. Fleming, respectively, to approve the proposed change. The motion was voted on and carried. This change will also become effective January 1, 2007.

Mr. Moore spoke on the construction of the new East Building at the Senator Bob Martin Eastern Agricultural Center in Williamston. The construction of this building was a collaborative effort with the Martin County Economic Development Corporation, who actually paid for the building and leases it to the Ag Center. Entered into the record as Exhibit C is a complete and detailed explanation of the proposed fee schedule for the Ag Center. Following general comments, the MOTION was made by Mr. Holliday and seconded by Mr. Fleming to approve the proposed fee schedule. The motion was voted on and unanimously carried. The new fees will become effective immediately.

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Using a power-point presentation, Mary Ann McBride gave a report on the Department's Animal Welfare Section activities. A copy of Dr. McBride's presentation has been entered into the record as Exhibit D.

Dr. McBride stated that the Animal Welfare Section's main objective is to enforce the 1977 Animal Welfare Act, which governs the treatment of cats and dogs in pet shops, kennels, private animal shelters, and auction markets. She then proceeded to explain how this is being accomplished, highlighting key issues such as: (1) Section staffing; (2) evaluation of facilities and acceptable euthanasia protocols; (3) administrative procedures; and (4) implementation.

Comments were made regarding proposed rules on euthanasia--the use of carbon monoxide versus injection. The Animal Welfare Section is working on these rules for presentation to the Board at a later date.

Dr. McBride made general remarks about the recently approved rules implementing Aedin's Law. She reminded the Board that these rules only apply to agricultural fairs and only to contact animal exhibits.

The Emergency Programs Division has the lead on inspections at the North Carolina State Fair, as well as various county fairs. Dr. McBride addressed specific questions regarding reinspections.

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The next order of business was a report on raw milk sales. Joe Reardon, the director of the Food and Drug Protection Division, was recognized for comments.

(Before proceeding, Mr. Reardon introduced the new feed administrator, Jennifer Godwin.)

As explained in Mr. Reardon's "Summary of 50 State Rules and Regulations for the Sale of Raw Milk for Animal Consumption," a copy of which has been entered into the record as Exhibit E, the sale of raw milk for human consumption is illegal in North Carolina. However, the sale of raw milk as a pet food is legal as long as it is conducted within the rules set forth by the North Carolina Feed Law of 1973.

Foodborne illnesses have been linked with the consumption of raw milk labeled as pet food. Therefore, the Food and Drug Protection Division will be proposing the adoption of a rule that will require raw milk sold as pet food to carry a specific warning statement and be decharacterized with an approved color. Mr. Reardon showed sample colors used by other states and then presented "possible" color choices developed in the Food and Drug lab. The Board and dairy industry members discussed the pros and cons of these color choices.

Mr. Holliday made the MOTION that the Department proceed with rule-making procedures to include an appropriate warning label on pet food and that these products be dyed as determined by the Food and Drug Protection Division. The motion was seconded by Mr. Mathis.

General remarks were heard on steps being taken by the Food and Drug Protection Division to educate and inform the Latino community on food and drug protection issues.

Mr. Holliday's motion carried by a unanimous vote.

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International Tobacco/Dairy Specialist Dewitt Hardee was asked to review the Dairy Stabilization and Growth Act (the Dairy Act). Mr. Hardee began by introducing North Carolina Farm Bureau representative Chester Lowder, North Carolina State University economist Dr. Geoff Benson, and Milk Market Administrator (United States Department of Agriculture) Harold H. Friedly, Jr.

Mr. Hardee referenced a data sheet that was prepared by Dr. Benson in giving the Board an overview of the state's dairy industry, a copy of which has been entered into the record as

Exhibit F. He highlighted key issues such as the dwindling number of dairy farmers in the state and production statistics.

The main objective of the Dairy Act is to start a fund known as the Dairy Stabilization and Growth Fund. This fund is to be financed through General Assembly appropriations and by the solicitation of grants. The fund would be used to assist the state's dairy farmers through price supports and programs that would be used to enhance the dairy industry.

Mr. Hardee explained how the objectives of the Dairy Act would be approached and hopefully accomplished. He covered such items as a proposed dairy study, expected outcomes, and a projected timeline. A very detailed explanation of the Dairy Act has been entered into the record as Exhibit G. Included in this exhibit is a letter and grant application (under Commissioner Troxler's signature) to Golden Leaf, Inc., requesting a grant in the amount of \$300,000.

Using a power-point presentation, Dr. Benson gave an overview of North Carolina's dairy industry. There are currently 320 Grade A dairies in the state, with an annual production of approximately 1 billion pounds of milk. However, these figures have steadily declined since the 1980's--as the state's population increased--resulting in a "deficit" milk production status. Dr. Benson spoke on milk price volatility and regional changes in milk production and population.

As indicated in Dr. Benson's "hard" copy of his presentation (which was previously identified as Exhibit F), there are many causes for structural change. He made general comments regarding these changes--for example, slow growth in milk sales, productivity, decline in the number of farms, production increases in other regions (particularly the west), and competition for farm land and farm labor.

Comments were also heard on dairy programs being offered on the federal level--dairy price support program and countercyclical payments (known as Milk Income Loss or MILC). The MILC has a cap of 2.4 million pounds per farm per year, which typically benefits the smaller farmer. There are numerous demand enhancement programs, such as domestic feeding and dairy export incentive programs

Entered into the record as Exhibit H is a flow chart that was prepared by Dr. Benson. This document is entitled "General Sequence of Events That Determines the Income Individual Dairy Farmers Receive from the Sale of Their Milk."

Mr. Friedly, Milk Market Administrator for the Appalachian Marketing Area, was recognized for his power-point presentation regarding the Federal Milk Marketing Order.

Mr. Friedly provided the Board with an overview of the Federal Milk Marketing Order. A copy of his presentation has been entered into the record as Exhibit I.

In response to a question from the floor, Dr. Benson explained the time frame used to set prices based on certain survey results. He was also asked to explain the role that the Federal

Order plays in regulating what co-ops pay to their members. Dr. Benson went on to state that the key factors that distinguish milk from other commodities is that it's highly perishable and has to be harvested daily.

The Chair recognized Mr. Lowder for comments on producer marketing issues. Mr. Lowder, representing Farm Bureau, went on record supporting the Dairy Stabilization and Growth Act.

He reiterated the comments made by Dr. Benson and Mr. Friedly that we cannot expect to see growth unless major issues are addressed. He also expressed the importance of producer education and active participation and representation in the co-ops.

There are three main entities who handle the milk for North Carolina producers: Dairy Farmers of America, Maryland-Virginia Cooperative, and Piedmont Milk Sales. There are three producer/processor farms in North Carolina that process their own milk.

In conclusion, Mr. Lowder encouraged the Board of Agriculture to continue its support of North Carolina's dairy industry.

Mr. Holliday made the MOTION "that the Department request the USDA to conduct a survey of dairy producers in the Southeast to determine whether there are unfair or deceptive trade practices in the marketing of milk by dairy cooperatives for their members. If any questionable practices are discovered, the department should contact the North Carolina Attorney General's office to assist with the investigation." The motion, being seconded by Mr. Berry, carried by a unanimous vote.

MOTION was made by Mr. Holliday "that the Board of Agriculture send a letter to the GoldenLEAF Foundation in support of the grant request to fund the NC Dairy Industry Study and to also encourage a positive environment for dairying in North Carolina and surrounding states by developing a strategic plan in cooperation with dairy producer groups, industry allies, state and federal governmental agencies and other public/private agencies." The motion was seconded by Mr. Fleming, voted on, and unanimously carried.

The MOTION was made and seconded, by Mr. Holliday and Mr. Mathis, respectively, "that the NC Department of Agriculture and Consumer Services work with the General Assembly to develop legislation to regulate charges for transportation of milk and to prohibit dairy cooperatives from charging their members for the cost of transporting milk from other areas into North Carolina." The motion carried by a unanimous vote.

Mr. Holliday stated that he wanted to ensure the co-ops that the Department and the Board aren't working against them; that "we want the Commissioner's office to work with them to try to improve conditions for our dairy farmers." Therefore, he made the MOTION that the Commissioner invite Mr. Hahn from DFA and Jay Bryant from Maryland-Virginia to a meeting to ask the management of these co-ops what they can do to help improve the price paid to dairymen in North Carolina. The motion was seconded by Mr. Fleming and carried by a unanimous vote.

Commissioner Troxler stated that he has asked for a meeting of the southeastern commissioners at the upcoming NASDA meeting to discuss collective efforts to improve conditions for southeastern dairy farmers.

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The floor was opened for miscellaneous business.

Mr. Fleming asked that the issue of biodegradable plastic bag plants in North Carolina be addressed. Commissioner Troxler responded that he would direct the Department's agribusiness development section to investigate this issue and report back to the Board.

Mr. Fleming also stated that some sort of identification needs to be used to designate Departmental employees who are going on farms for various reasons. Commissioner Troxler will relay this concern to the appropriate person within the Department for a possible resolution.

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Mr. Holliday made the MOTION, which was seconded by Mr. Mathis, that the meeting be adjourned. The motion carried by a unanimous vote.

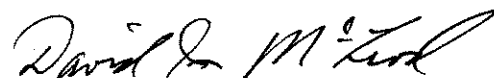
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THERE BEING NO FURTHER BUSINESS, THE MEETING WAS ADJOURNED AT 11:20 A.M.

Adopted by the Board this 16th day
of November, 2006.



Steven W. Troxler
Commissioner of Agriculture
Chairman



David S. McLeod
Secretary